

**CONTRACT #1**  
**RFS # 317.86-014**

**Department of Finance &  
Administration / Insurance  
Administration**

**VENDOR:**  
**Provident Life & Accident  
Insurance Company**



RECEIVED

APR 29 2005

FISCAL REVIEW

STATE OF TENNESSEE  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
INSURANCE ADMINISTRATION

312 Eighth Avenue North  
Suite 1300 William R. Snodgrass Tennessee Tower  
Nashville, Tennessee 37243  
Phone (615) 741-3590 or (800) 253-9981  
FAX (615) 741-8196

Dave Goetz  
COMMISSIONER

Richard Chapman  
DIRECTOR

April 7, 2005

Dave Goetz, Commissioner  
Department of Finance and Administration  
First Floor, State Capital  
Nashville, TN 37243

**Re: Optional Universal Life Insurance**

Dear Commissioner Goetz:

This request is submitted in support of the attached *Non-competitive Amendment Request* for contract #FA00-13905 (Optional Universal Life Insurance). Provident Life & Accident Insurance Company is the contractor. As required by the *Request for Approval* format, this letter contains the following:

**1) A description of the proposed additional service and amendment effects;**

This amendment will extend the current contract for two months, to August 31, 2005. The present contract termination date is June 30, 2005. All funds for this contract are in the form of premium payments made by participants; no State funding is involved in providing coverage.

**2) Explanation of need for the proposed amendment:**

The Division of Insurance Administration is currently conducting, on behalf of the State Insurance Committee, a procurement of optional term life and optional universal life insurance. During the review process concerning the optional universal life Request For Proposals, there were extended discussions between the Comptroller's Office and the Division concerning the organization of the Request For Proposals and the manner in which the proposals would be evaluated, particularly the cost proposals. This process took approximately five weeks and delayed the issuance of the Request For Proposals beyond what was anticipated by the Division. Additionally, following the issuance of the Request For Proposals, the Division received approximately 100 questions concerning provisions of each Request For Proposals that required a response by the Division. Due to the volume of these requests, the responses to the Questions were delayed by approximately seven days after the planned date, in the original schedule, to issue the questions.

Third, during the Question and Answer period a proposer raised issues concerning the tight timeframe between the completion of the evaluation of proposals and the anticipated implementation of coverage. This potential proposer indicated that it may not be able to implement the program

within the prescribed timeframe and the Division was concerned that this would limit competition in this procurement.

Along similar lines, the Division has examined the implementation schedule for the purpose of administrative activities that are conducted routinely by the Division for the purpose of premium deductions. Based on that review we concluded that additional time was necessary to properly implement the results of the procurement to ensure appropriate deduction of employee premiums from paychecks.

Subsequently, we discussed this matter with the incumbent (UnumProvident) for the purpose of determining if they would be willing to extend the contract for as long as six months (that is from July 1, 2005 – December 31, 2005). The incumbent agreed to a two month extension of this contract predicated upon certain internal administrative adjustments that they anticipate making during the fall of 2005.

This matter has been presented to the members of the State Insurance Committee for their consideration.

**3) Name and address of contractor's principal owner(s);**

Provident Life & Accident Insurance Company  
One Fountain Square  
Chattanooga, TN 37402

**4) Description of procuring agency efforts to identify reasonable, competitive, procurement alternatives (rather than to use non-competitive negotiation);**

The intent of this request is to maintain the integrity of the competitive procurement process, and to increase competition, as described in item 2 above. By extending the current contract for two months, more proposers will be able to meet the State's time requirements for interfacing with the Tennessee Insurance System.

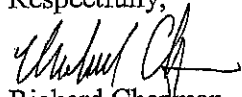
**5) Justification of why the state should approve a Non-Competitive amendment.**

Based on the following summary of the reasons identified in questions 1,2 and 4, the State Insurance Committee has concurred in the recommendation of the Division of Insurance Administration that it is necessary to extend the contract with Provident for the administration of the Optional Term Life Insurance plan for two additional two months (through August 31, 2005):

- With the exception of the term and maximum liability, all terms and conditions remain in force; there is no increase in cost to either the State or its enrolled members.
- A prior shift of the contract's effective date provide for a July 1 start allowed for the staging of procurements conducted by the Division of Insurance Administration on behalf of the State's Insurance Committees, rather than all procurements having an effective date of January 1. This two month extension to September 1, 2005 preserves the staggering of procurement efforts.
- Enrolled members are best served by this extension, in that it preserves their coverage with the existing contractor without interruption of that coverage.
- The procurement results will be implemented in an orderly fashion preceding the State's Enrollment/Transfer period, when employees can make a variety of changes to these lines of coverage.

Your approval of this request, by your signature, would be appreciated. Please call me with any questions or concerns.

Respectfully,

A handwritten signature in dark ink, appearing to read "Richard Chapman", written over the printed name.

Richard Chapman

Director, Division of Insurance Administration



STATE OF TENNESSEE  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
INSURANCE ADMINISTRATION

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Dave Goetz  
COMMISSIONER

Richard Chapman  
DIRECTOR

April 1, 2005

MEMORANDUM

TO: Members of the State Insurance Committee

FROM: Richard Chapman

SUBJECT: Procurement – Optional Term Life and Optional Universal Life

The purpose of this correspondence is to review with you the status of the Division's efforts to procure a contractor (or contractors) to provide the optional term and optional universal life insurance available to state employees.

The Division issued the Request for Proposals on February 18, 2005. This release was approximately six weeks after what was anticipated when the contract was extended until June 30, 2005 through an amendment. Subsequently, the Division received, following the proposer's conference on March 2, 2005, nearly 100 questions for the optional universal life and in excess of 100 questions on the optional term life. As a result of the volume of questions, the Division released responses on March 18, approximately seven days after we had indicated in our initial schedule that those would be available. The receipt date for proposals was also pushed back to April 14 and the cost proposal opening set for April 22, 2005.

Predicated upon the current timeframes associated with the presentation of proposals, their evaluation and the subsequent review of those matters with the State Insurance Committee, the Division approached UnumProvident to determine if they would be willing to extend the existing arrangement beyond the June 30, 2005 expiration date. Provident has agreed to extend those contracts for two months, that is through August 2005.

We believe that the extension is essential to permit competition by potential proposers and to permit effective implementation of the results of the procurement. Additionally, we believe that because of the timing of payroll deductions of premiums for these coverages, the Division and the participating organizational components (University of Tennessee, Board of Regents, and the

State of Tennessee central government) will be unable to properly implement changes in premium amounts and the testing of submissions from a different vendor. As a result, we recommend approval of a two month extension of the existing contracts, that is through August 2005. One of the principle results of this is the vendor will be in place prior to the annual transfer period in the fall of 2005 and the contracts for this coverage will remain off an annual cycle and permit a more orderly flow of procurement activity in the future.

If any Committee Member disagrees with this proposal prior to April 6, 2005, we will convene a meeting of the State Insurance Committee for the purpose of reviewing this matter. If there is no disagreement with this proposal, the Division will present the contract extension to the Fiscal Review Committee with an indication that the State Insurance Committee has considered the matter.

Thank you for your prompt consideration of this matter. Please call me at 532-9609 should you have any questions concerning this correspondence.

RLC/s

# REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

Commissioner of Finance &amp; Administration

Date:

Each of the request items below indicates specific information that must be individually detailed or addressed as required.  
A REQUEST CAN NOT BE CONSIDERED IF INFORMATION PROVIDED IS INCOMPLETE, NON-RESPONSIVE, OR DOES NOT  
CLEARLY ADDRESS EACH OF THE REQUIREMENTS INDIVIDUALLY AS REQUIRED.

RFS #

317.86-014

STATE AGENCY NAME :

F&amp;A, Insurance Administration

SERVICE CAPTION :

Optional Universal Life insurance benefit.

CONTRACT #

FA00-13905

PROPOSED AMENDMENT #

4

CONTRACTOR :

Provident Life &amp; Accident Insurance

CONTRACT START DATE :

January 1, 2000

CURRENT, LATEST POSSIBLE END DATE :  
(including ALL options to extend)

June 30, 2005

CURRENT MAXIMUM LIABILITY :

\$21,500,000

LATEST POSSIBLE END DATE WITH PROPOSED AMENDMENT :  
(including ALL options to extend)

August 31, 2005

TOTAL MAXIMUM COST WITH PROPOSED AMENDMENT :  
(including ALL options to extend)

\$21,500,000

APPROVAL CRITERIA :  
(select one)

use of Non-Competitive Negotiation is in the best interest of the state



only one uniquely qualified service provider able to provide the service

ADDITIONAL REQUIRED REQUEST DETAILS BELOW (address each item immediately following the requirement text)

(1) description of the proposed additional service and amendment effects :

This amendment will extend the current term to 68 months, and will increase the Maximum Liability to \$21,500,000. All other terms and conditions remain unchanged and in force.

(2) explanation of need for the proposed amendment :

See attached April 7, 2005 letter from Richard Chapman, Director DIA, to State Insurance Committee chair David Goetz.

(3) name and address of the proposed contractor's principal owner(s) :  
(not required if proposed contractor is a state education institution)

Provident Life and Accident Insurance Company, One Fountain Square, Chattanooga, TN 37402

(4) documentation of OIR endorsement of the Non-Competitive procurement request :  
(required only if the subject service involves information technology)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

(5) documentation of Department of Personnel endorsement of the Non-Competitive procurement request :  
(required only if the subject service involves training for state employees)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

(6) description of procuring agency efforts to identify reasonable, competitive, procurement alternatives rather than to use non-competitive negotiation :

Not applicable.

(7) justification of why the F&A Commissioner should approve a Non-Competitive Amendment :

See attached April 7, 2004 letter.

**AGENCY HEAD REQUEST SIGNATURE:**

(must be signed by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR — signature by an authorized signatory will be accepted only in documented exigent circumstances)

*On. D. Goetz Jr.*

SIGNATURE DATE:

4-22-05



# RULE EXCEPTION REQUEST

APPROVED

Commissioner of Finance &amp; Administration

Date:

RFS # 317.86-014

STATE AGENCY: F&amp;A, Insurance Administration

## INFORMATION ABOUT THE EXCEPTION(S) REQUESTED

SUBJECT RULE NUMBER(S): 0620-3-3-.07 General Requirements, paragraph (5) Contract Term

DESCRIPTION OF EXCEPTION(S):

This exception will extend the contract term beyond the allowed 60 months, to 68 months.

JUSTIFICATION FOR EXCEPTIONS:

(compelling reasons for contracts rule exception; relevant background information; attach additional justification as necessary)

See attached April 7, 2005 letter from Richard Chapman, Director Division of Insurance Administration, to State Insurance Committee members.

## INFORMATION REGARDING THE APPLICABLE CONTRACT

DESCRIPTION OF SERVICE TO BE PROCURED:

Optional Universal Life Insurance

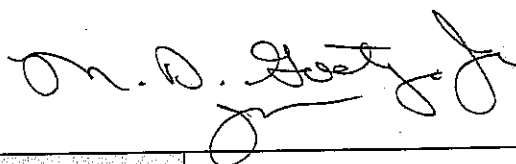
BEGIN DATE: January 1, 2000

END DATE (including ALL options for term extension): August 31, 2005

MAXIMUM LIABILITY (including ALL options for term extension): \$21,500,000

AGENCY HEAD REQUEST SIGNATURE:

(signed by the procuring agency head or authorized signatory)



SIGNATURE DATE:

4-7-05

OPT'L UNIVERSAL

303

**AMENDMENT NUMBER FOUR  
TO CONTRACT NUMBER FA00-13905  
BETWEEN THE STATE OF TENNESSEE, STATE INSURANCE COMMITTEE  
AND  
PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY**

**Draft**

This contract, by and between the State of Tennessee, State Insurance Committee, hereinafter referred to as the State, and Provident Life And Accident Insurance Company, hereinafter referred to as the Contractor, is hereby amended as follows:

1. Delete Section B.1 in its entirety and insert the following in its place:

B.1 Contract Term. This Contract shall be effective for the period commencing on January 1, 2000 and ending on August 31, 2005. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

The other terms and conditions of this contract not amended hereby shall remain in full force and effect.

**IN WITNESS WHEREOF:**

**PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY:**

\_\_\_\_\_  
Kimberly Mashburn, AVP, National Account Executive      Date

**STATE OF TENNESSEE, STATE INSURANCE COMMITTEE:**

\_\_\_\_\_  
M. D. Goetz, Jr., Chairman      Date

**APPROVED:**

**DEPARTMENT OF FINANCE AND ADMINISTRATION:**

\_\_\_\_\_  
M. D. Goetz, Jr., Commissioner      Date

**COMPTROLLER OF THE TREASURY:**

\_\_\_\_\_  
John G. Morgan, Comptroller of the Treasury      Date